



2012 Legislative Review

MARTIN O'MALLEY, Governor / ANTHONY G. BROWN, Lt. Governor / RAYMOND A. SKINNER, Secretary / CLARENCE J. SNUGGS, Deputy Secretary

SECRETARY'S MESSAGE



The 2012 General Assembly Session was very productive for the Maryland Department of Housing and Community Development (DHCD). Despite a very challenging fiscal climate, our agency was able to obtain additional funding for two new initiatives and the General Assembly adopted housing and development-related legislation that we considered important.

By wide margins, the legislature passed three key measures recommended by Governor O'Malley's foreclosure task force - establishing early mediation, a statewide foreclosed property database and a tax credit for families that buy a foreclosed property as their principal home.

Early mediation gives homeowners who are in default on their mortgage the option to seek mediation before their homes enter foreclosure. The intent is to help homeowners and lenders find sustainable alternatives to foreclosure by bringing them to the negotiating table earlier in the process.

Lawmakers also set up a statewide central foreclosed property registry that will enable local governments to determine who is responsible for upkeep of a vacant property during the sometimes lengthy limbo period after a foreclosure auction. The measure helps communities – particularly those hard-hit by multiple foreclosures - to stabilize overall property values.

The Neighborhood Conservation tax credit gives potential homeowners an incentive to purchase foreclosed properties in targeted communities, helping to get those properties back on the tax rolls faster. Governor O'Malley signed that measure on April 10, 2012.

Our successes this year were made possible only by the dedicated support and assistance of Maryland's housing and community development advocate community, industry groups, sister agencies, and key legislators. I also would like to specifically thank the Maryland Affordable Housing Coalition for their efforts to secure \$17.5 million in the Fiscal Year 2013 Capital Budget to fund the construction of affordable rental housing. You recognize the need for strong housing and community development programs, and you have our gratitude for your efforts to support DHCD and its mission.

This brief overview has been prepared to inform our dedicated partners and stakeholders of the key legislative and budgetary activities of the 2012 Session. If you need any further information on these activities, please visit the Maryland General Assembly's Web site at <http://mlis.state.md.us>. You are also welcome to contact my legislative staff at 410-514-7015.

Once again, thank you for helping us make the 2012 session a success.

Sincerely,

A handwritten signature in black ink that reads "Raymond A. Skinner". The signature is written in a cursive, flowing style.

Raymond A. Skinner, Secretary

FY 2013 Budget Highlights

While the outcome of Fiscal Year 2013 budget was front and center at the end of this legislative session, Governor O'Malley's \$318 million budget for DHCD remained substantially intact throughout the legislative process.

As with past years, approximately 71% of DHCD's FY 2013 budget is dedicated to the administration of existing federal grant programs, funded through the U.S. Department of Housing and Urban Development (HUD). The largest federal program administered by DHCD is the Section 8 Contract Administration Housing Program, which includes \$193 million for maintaining quality rental housing for Maryland's neediest citizens.

Other DHCD budget highlights include:

- **\$17.5 million for the Governor's new Rental Housing Works Initiative** which will create over 1,700 units of affordable rental housing and over 1,100 jobs. Combined with DHCD's existing budget of \$22.5 million of state and federal resources and \$4 million for the MD-BRAC Preservation Initiative, the Department has received a total of **\$44 million** to rehabilitate and create new affordable housing for low income individuals, seniors, and families.
- **\$2.5 million for Strategic Demolition and Smart Growth Impact Project Fund** to provide grants to local governments and nonprofit organizations for redevelopment and revitalization projects in areas recommended by PlanMaryland for revitalization and growth.
- **\$10.4 million for Special Loans Programs** to provide loans or grants for abatement of lead paint hazards, indoor plumbing improvements, sheltered housing facilities, and modification of group homes for Maryland citizens with special housing needs.
- **\$10.4 million for Homeownership Programs** to provide low, fixed-interest rate mortgage loans and down payment/settlement assistance to low and moderate-income individuals and families.
- **\$6.0 million for the Partnership Rental Housing Program** to provide loans or grants to local governments or housing authorities to construct or rehabilitate rental housing for low-income families.
- **\$2.0 million for the Shelter and Transitional Housing Program** to provide grants to develop emergency shelters and transitional housing.
- **\$12.3 million for the Community Development Block Grant Program** to provide grants to local governments in non-entitlement areas of the State for use in revitalizing communities.
- **\$6.0 million for the Community Legacy Program** to provide financing to assist with the revitalization of neighborhoods that are at risk of physical, economic, or social deterioration.
- **\$4.25 million for Neighborhood Business Works** to finance community-based small business and economic development activities in designated revitalization areas.

NOTE: The list of legislation that follows summarizes key bills and their final status as of the adjournment of the 2012 Maryland General Assembly Session on midnight of April 9, 2012. The legislation listed focuses on relevant issues that our legislative staff tracked regardless if DHCD provided testimony or comments on each bill.

Foreclosure Prevention and Mitigation

- **HB 923 – Property Tax Credit - Neighborhood Conservation Act of 2012**
Authorizes local governments to tailor a package of local property and transfer taxes or other fee incentives to benefit purchasers of properties in target communities with high concentrations of foreclosure and blight. Local governments would identify areas where home purchases are eligible for tax credit – “Neighborhood Conservation Areas” – which were established as part of the Neighborhood Stabilization Program (NSP). Delegate Stephen Lafferty sponsored this bill on DHCD’s behalf based on recommendations from the Maryland Foreclosure Task Force. **PASSED**
- **HB 1373 – Real Property - Foreclosed Property Registry**
Requires banks and other purchasers of foreclosed properties to provide ownership and maintenance contact information to a centralized state-run registry so state and local government officials and neighbors know who to call if there's a problem with the property. DHCD worked with the Governor’s Office and the Maryland Department of Labor, Licensing and Regulation to draft this legislation based on recommendations from the Maryland Foreclosure Task Force. **PASSED**
- **HB 1374 – Real Property - Foreclosures and Mediation**
Provides homeowners with an earlier mediation option in the foreclosure process, before they are so far behind in their mortgage payments that alternatives to foreclosure are limited, by creating a pre-foreclosure mediation program. Previously, mediation was only available to homeowners after the lender files for foreclosure. The bill also creates an expedited foreclosure process for properties that are certified as vacant that may blight a neighborhood. The expedited process would continue to safeguard and preserve notice requirements and mediation options for occupied structures. DHCD worked with the Governor’s Office and the Maryland Department of Labor, Licensing and Regulation to draft this legislation based on recommendations from the Maryland Foreclosure Task Force. **PASSED**
- **HB 508 – Real Property - Foreclosure - Mortgage Foreclosure Property Values Protection Act**
Requires that, within 60 days after the entry of the final order of ratification in a foreclosure sale, the purchaser at the foreclosure sale must close on the transaction and record a deed transferring title to the property to the purchaser. **FAILED**
- **SB 123 – Real Property - Foreclosure Sale of Residential Property - Notice to Local Supervisor of Assessments**
Requires a purchaser of foreclosed residential property sold in an auction to provide a copy of the court order ratifying the foreclosure sale to the local supervisor of assessments within 60 days. **PASSED**

Rental Housing

- **SB 208 / HB 1 – Environment - Recycling - Apartment Buildings and Condominiums**
Requires the property owner or manager of an apartment building or the council of unit owners of a condominium containing 10 or more units to provide for the collection and removal of recyclable materials by October 1, 2014. **PASSED**

- **HB 22 – Real Property - Residential Leases - Interest on Security Deposits**
Alters the amount of interest a landlord or mobile home park owner must pay a tenant or resident upon return of the tenant or resident's security deposit from 3% per annum to the greater of the daily U.S. Treasury yield curve rate for one year on the first business day of each year or 1.5%. **FAILED**
- **SB 277 / HB 168 – Human Relations - Housing Discrimination - Source of Income**
Alters the housing policy of the State regarding the provision of fair housing to include providing for fair housing regardless of source of income. Provides that specified provisions regarding housing discrimination due to a person's source of income do not apply to an assisted rental housing development. Prohibits a person from discriminating against a person seeking to buy or rent a dwelling in the State based on a person's source of income. **FAILED**
- **SB 413 – Courts - Service of Process - Increase in Sheriff's Fees - Distribution to Rental Allowance Program Fund**
Increases the fees collected by county sheriffs for service of process and other papers by \$10 each. The entirety of this fee increase is to be distributed to support DHCD's existing Rental Allowance Program. **FAILED**

Smart Growth, Community Development, and Neighborhood Revitalization

- **HB 271 – Housing and Community Development - Disaster Relief Housing Program**
Departmental legislation that clarifies that the purpose of this program is to provide financial assistance to rehabilitate or replace primary residences in an area covered by a state of emergency declared under Article 14 of the Public Safety Article and further authorizes DHCD to continue to provide financial assistance in an area after the expiration of the state of emergency. **PASSED**
- **HB 571 – Linked Deposit Program for Small Businesses - Lend Local Act of 2012**
Establishes a Linked Deposit Program for Small Businesses in DHCD to stimulate opportunities for small businesses to have access to credit by obtaining loans at lower-than-market interest rates. **PASSED**
- **HB 731 / SB 792 – Housing and Community Development - Neighborhood and Community Assistance Program - Project Proposals**
Increases the maximum sum of contributions eligible for a tax credit offered under DHCD's Neighborhood and Community Assistance Program from \$2 million to \$5 million per fiscal year. The bill further authorizes DHCD to give preference to a neighborhood conservation district designated under HUD's Neighborhood Stabilization Program when considering approval or disapproval for a proposal and in determining the maximum sum of contributions eligible for the tax credit. **FAILED**
- **HB 991 – Task Force to Study the Renovation and Repair Needs of Senior Homeowners**
Requires DHCD, with the assistance of the Department of Aging, the Department of Health and Mental Hygiene, and the Department of Human Resources, to create a task force to study the renovation and repair needs of senior homeowners. **PASSED**
- **HB 1327 – Community Legacy Program - Sustainable Community Designation - Time Extension**
Extends the date to December 31, 2013, through which a Community Legacy Area or Designated Neighborhood designated as a Sustainable Community retains the designation and by which a sponsor may apply for re-designation with DHCD. Delegate Stephen Lafferty sponsored this bill on DHCD's behalf. **PASSED**

Real Property, Building Codes and Standards

- **HB 366 / SB 602** – Public Safety - Building Performance Standards - Automatic Fire Sprinkler Systems
Prohibits, except under specified conditions, a local jurisdiction from adopting a local amendment to the Maryland Building Performance Standards that weakens the requirement for the installation of automatic fire sprinkler systems in townhouses and one- and two-family dwellings constructed after October 1, 2012. **PASSED**
- **SB 591 / HB 678** – Real Property - Manufactured Homes - Affixation to and Severance from Real Property
Establishes requirements that must be met to affix a manufactured home (modular) to or sever it from real property. Once the affixation requirements are met, the manufactured home is governed by the laws applicable to real property. **PASSED**
- **SB 869 / HB 940** – Maryland Building Performance Standards - Hotels - Mandatory Master Control Device
Require each hotel guest room in a newly constructed hotel to be equipped with a master control device that automatically turns off the power to all of the lighting fixtures in the guest room no more than 30 minutes after the room has been vacated. **PASSED**

Lead Paint Abatement

- **HB 472 / SB 873** – Workgroup on Lead Liability Protection for Rental Property
Requires the Maryland Insurance Commissioner to convene a workgroup to evaluate and make recommendations relating to lead liability protection for owners of rental property built before 1978. The Maryland Insurance Commissioner must report the findings and recommendations of the workgroup to the Governor and the General Assembly by December 1, 2012. **PASSED**
- **HB 644** – Environment - Reducing the Incidence of Lead Poisoning
Expands the application of the “lead law” to residential rental property built between 1950 and 1978 and repeals a rebuttable presumption that an owner of an affected property that is not in compliance with the lead law is presumed to have failed to exercise reasonable care with respect to lead hazards. **PASSED**
- **HB 977** – Environment - Reduction of Lead Risk in Housing - Renovations and Repairs
Requires an activity that disturbs more than three square feet of painted surface in an owner-occupied or rental dwelling unit built before 1978 to pass a test for lead-contaminated dust. **FAILED**
- **HB 1013** – Environment - Lead Poisoning - Primary Prevention Fund
Establishes a Lead Poisoning Primary Prevention Fund within MDE to be used primarily to provide grants to eligible recipients for lead poisoning prevention activities. **FAILED**